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(ITEM) From the Milwaukee County Comptroller, requesting authorization to change the Pension Fund's amortization period for the Unfunded Actuarial Accrued Liability from thirty years to twenty years; and increase the 2015 pension contribution by \$10,000,000 from the anticipated 2015 surplus in the health care program for employees and retirees, by recommending adoption of the following:

A RESOLUTION

WHEREAS, in its 2015 annual funding request to the County Executive, the Pension Board requested a 2015 budget contribution of \$38.3 million; and

WHEREAS, the 2015 annual funding request of \$38.3 million was included in the 2015 Adopted Budget by the Milwaukee County Board of Supervisors; and

WHEREAS, in its annual funding request to the County Executive, and through various public meetings, the Pension Board has publicly shared that in preparing for the actuarial valuation dated January 1, 2015, its actuary omitted Cost of Living Adjustments (COLA) in its calculations of the 2014 contributions and 2015 budget contributions for certain groups of retired employees; and

WHEREAS, three funding policy changes have been implemented by the Pension Board, and include: 1) immediate recognition of expected administrative expenses for the upcoming year; 2) rather than amortizing these expenses over 10 years, reducing future increases in amortization payments from the current policy (3.5 percent for Employees' Retirement System and 3.0 percent for Omnibus Budget Reconciliation Act to 1.75 percent annually); and 3) updating the actuarial cost method from Aggregate Entry Age Normal to Individual Entry Age Normal; and

WHEREAS, as a result of funding policy changes and the actuary's re-inclusion of COLA liabilities for certain retirees, the actual contribution for 2015 is determined to be \$57.9 million; and

WHEREAS, the \$19.5 million difference between the budget contribution and actual contribution for 2015 will be added to the Unfunded Actuarial Accrued Liability (UAAL), and will be amortized over a 20-year period; and

WHEREAS, assuming no additional contributions are made to the Pension Fund in 2015, the underfunding of \$19.5 million will result in additional interest costs of \$20.7 million over the 20-year period; and

43 WHEREAS, an additional \$10.0 million contribution to the Pension Fund in 2015
44 will reduce estimated interest costs from \$20.7 million to \$10.6 million for an estimated
45 savings of \$10.1 million; and

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47 WHEREAS, in 2015, Milwaukee County (the County) achieved a \$15.0 million
48 savings in healthcare expenditures, and accrued other savings that result in a current
49 countywide surplus of \$25.0 million, which is sufficient to cover an additional \$10.0
50 million contribution; and

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52 WHEREAS, the Pension Board's 2016 annual funding request to the County
53 Executive, requested the County to approve a change in the amortization period of the
54 UAAL from 30 years to 20 years; and

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56 WHEREAS, industry practices and various resources recommend that a 20-year
57 amortization period for the UAAL is preferred; and

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59 WHEREAS, the Milwaukee County Comptroller reviewed cost estimates relating
60 to the change in the amortization period, and found minimal financial impact at this time
61 due to the average amortization period of the fund being close to 20 years, and
62 recommends changing the amortization from 30 years to 20 years; and

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64 WHEREAS, the Committee on Finance, Personnel, and Audit, at its meeting of
65 November 2, 2015, recommended adoption of the Comptroller's request (vote 6-2);
66 now, therefore,

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68 BE IT RESOLVED, the Milwaukee County Board of Supervisors (County Board)
69 hereby approves the Pension Funds' utilization of a 20-year amortization period for
70 Unfunded Actuarial Accrued Liabilities; and

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72 BE IT FURTHER RESOLVED, the County Board hereby approves increasing the
73 2015 actual contribution to the Pension Fund by \$10.0 million from \$38.3 million to
74 \$48.3 million by using surplus healthcare appropriations available in the same
75 organizational unit.

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